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Counsel to the Debtors and Debtors
in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - x
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
: Jointly Administered
Debtors. :
: Obj. Deadline: April 14, 2010 at
- - - - - x 5:00 p.m. (ET)

**NOTICE OF PROPOSED SETTLEMENT AGREEMENT AND STIPULATION BY
AND AMONG THE DEBTORS AND SONY PICTURES HOME ENTERTAINMENT
INC.**

PLEASE TAKE NOTICE that, on August 10, 2009, the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court") entered the Order Pursuant To 11 U.S.C. §§ 105 and 363, and Fed. R. Bankr. P. 2002, 9006, and 9019 Authorizing the Establishment of Procedures to Settle Certain Pre-Petition and Post-Petition Claims and Causes of Action Without Further Court Approval

(the "Settlement Procedures Order") (Docket No. 4401).¹ A copy of the Settlement Procedures Order (without exhibits) is annexed as Exhibit 1.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Settlement Procedures Order, the above-captioned debtors and debtors in possession (collectively, the "Debtors")² are authorized to negotiate and enter into stipulation and settlement agreements with third parties, subject to the procedures set forth in the Settlement Procedures Order and outlined herein.

PLEASE TAKE FURTHER NOTICE that, at this time, the Debtors have entered into a stipulation and settlement agreement (the "Settlement Agreement") with Sony Pictures Home Entertainment Inc. ("SPHE"), a copy of which is annexed as Exhibit 2.

SUMMARY OF SETTLEMENT AGREEMENT TERMS³

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Settlement Agreement (defined below) or the Settlement Procedures Order.

² The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), PRAHS, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address was 9950 Mayland Drive, Richmond, Virginia 23233 and currently is 4951 Lake Brook Drive, Glen Allen, VA 23060.

³ This section of the notice constitutes a summary of the material terms of the Settlement Agreement and is being provided for convenience only and should not be relied upon in any way. All parties are strongly encouraged to review the Settlement Agreement in its entirety. In the event there is a conflict between the notice and the Settlement Agreement, the Settlement Agreement shall control in all respects.

PLEASE TAKE FURTHER NOTICE that, in accordance with paragraph 10(b) of the Settlement Procedures Order, the material terms of the Settlement Agreement are as follows:

- (i) This a Tier II Settlement.
- (ii) Upon the Effective Date of the Settlement Agreement (as defined therein), the Parties agree that the Alleged Receivables and the Claims shall be resolved as follows: (a) within 7 days after the Settlement Agreement becomes final in accordance with the terms of the Settlement Procedures Order, SPHE shall wire or cause to be wired \$1,250,000 (the "Payment") to the Debtors pursuant to wire instructions provided by the Debtors to SPHE; and (b) the Alleged Receivables shall be net against the Administrative Expense Claim, the 503(b)(9) Claim, and the Unsecured Claim such that (i) the Administrative Expense Claim shall be reduced to \$0, (ii) the 503(b)(9) Claim shall reduced to \$0, (iii) and the Unsecured Claim (Claim No. 9385) shall be reduced to and allowed in the amount of \$4,000,000 (the "Allowed Unsecured Claim").
- (iii) To the extent required, the automatic stay of 11 U.S.C. § 362 is lifted to permit the netting set forth in Paragraph ii above.
- (iv) The Parties further agree that the Allowed Unsecured Claim shall be deemed an "allowed" claim in case number 08-35653 (KRH) for all purposes, including with respect to any confirmed chapter 11 plan, and shall not be subject to further setoff, reduction, netting, defense or discount.
- (v) The Parties agree that the Settlement Agreement finally resolves the SPHE Claims, the Reclamation Demand, the Motions, and the Debtors' Alleged Receivables in their entirety.

- (vi) Effective upon receipt of the Payment by the Debtors, the Debtors, on behalf of themselves, and each on behalf of their respective estates, successors, and assigns, hereby irrevocably and fully release and discharge the SPE Entities, from and against any and all claims or causes of action under Bankruptcy Code sections 542, 543, 544, 546, 547, 548, 549, 550, 553 and 558. The Releases are not intended as general releases or waivers and nothing in the Settlement Agreement shall be construed as such.
- (vii) For the avoidance of doubt and notwithstanding anything to the contrary in the Settlement Agreement, (a) the Allowed Unsecured Claim shall constitute SPHE's full and final allowed claim in the Debtors' cases and SPHE and the SPE Entities shall not file or be entitled to recover on account of any other claims, including (without limitation) on any other SPHE Claims, from the Debtors or their estates, (b) other than the Payment, the Debtors shall not be entitled to recover any further credits, rebates, receivables, setoffs, netting, or discounts, including (without limitation) the Alleged Receivables, from SPHE, (c) all omnibus objections to any of the SPHE Claims shall be deemed resolved, (d) the legal and equitable rights, claims, causes of action, remedies, defenses, and arguments between or among the Debtors and the Other Sony Entities are not meant to be subject to, part of, or in any way affected by the Settlement Agreement, and (e) SPHE and the Debtors specifically acknowledge and agree that the Settlement Agreement is not intended to, and does not, release or otherwise affect in any way any actual claims or causes of action (or potential claims or causes of action similar in nature or type to such actual claims or

causes of action) now or hereinafter asserted in or relating to the multi-district litigation captioned In re: TFT-LCD (Flat Panel) Antitrust Litigation, MDL No. 1827 (N.D. Cal.) and the actions consolidated therein (the "MDL Proceeding").

TIME AND PLACE FOR FILING OBJECTIONS TO THE PROPOSED AGREEMENT OR REQUESTING ADDITIONAL INFORMATION OR TIME TO CONSIDER THE SETTLEMENT AGREEMENT

PLEASE TAKE FURTHER NOTICE that, in accordance with paragraph 10(c) of the Settlement Procedures Order, any Notice Party may object (each an "Objection") to or request additional time or information (each a "Request") to evaluate the Settlement Agreement.

PLEASE TAKE FURTHER NOTICE that all Objections and Requests must be in writing and received by counsel to the Debtors and counsel to the Official Committee of Unsecured Creditors (see information below) by no later **April 14, 2010 at 5:00 p.m. (ET)** (the "Objection Deadline"). Each Objection or Request must be served on (i) the attorneys for the Debtors, (a) Skadden, Arps, Slate, Meagher & Flom, LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Gregg M. Galardi (gregg.galardi@skadden.com) and Ian S. Fredericks (ian.fredericks@skadden.com) and (b) McGuireWoods LLP, One James Center, 901 E. Cary Street, Richmond, VA 23219, Attn: Douglas M. Foley (dfoley@mcguirewoods.com) and Daniel F. Blanks (dblanks@mcguirewoods.com), and (ii)(a) Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 11th Floor, Los Angeles, California 90067-4100, Attn: Jeff Pomerantz (jpomerantz@pszjlaw.com) and (b) 780 Third Avenue, 36th Floor, New York, NY 10017-2024, Attn: Robert Feinstein (rfeinstein@pszjlaw.com).

PLEASE TAKE FURTHER NOTICE that if you object to the Settlement Agreement and you do not want the Debtors to proceed with the Settlement Agreement or you want the Court to consider your views concerning the Settlement Agreement, you or your attorney must also:

file in writing with the Clerk of Court, United States Bankruptcy Court, 701 East Broad

Street, Suite 4000, Richmond, Virginia 23219, or electronically (www.vaeb.uscourts.gov), a written Objection pursuant to Local Bankruptcy Rule 9013-1(H). If you mail your Objection to the Court for filing, you must mail it early enough so the Court will **receive it on or before April 14, 2010 at 5:00 p.m. (ET)**.

Any Objection to the Settlement Agreement must be submitted by the method described in the foregoing sentence. Objections will be deemed filed only when actually received at the address listed above.

PLEASE TAKE FURTHER NOTICE that, pursuant to paragraph 10(d) of the Settlement Procedures Order, if a Notice Party submits a Request, only such Notice Party shall have the later of (i) an additional five (5) days to object to the Agreement or (ii) in the case of a Request for additional information, three (3) days after receipt by the Notice Party of the additional information requested. Each Notice Party may only make one Request for additional time per Settlement Agreement, unless otherwise agreed to by the Debtors in their sole discretion.

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PLEASE TAKE FURTHER NOTICE that, pursuant to paragraph 10(c) of the Settlement Procedures Order, if no Objection or Request is filed and served upon counsel for the Debtors and counsel for the Committee of Unsecured Creditors or counsel to the Debtors and counsel for the Committee of Unsecured Creditors do not receive a Request prior to the expiration of the Objection Deadline (as may be extended by Requests, if any, the Debtors shall be authorized to enter into and consummate the Settlement Agreement without further order of the Court or any other action by the Debtors.

Dated: March 31, 2010
Richmond, Virginia

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- and -

MCGUIREWOODS LLP

/s/ Douglas M. Foley
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Douglas Foley (VSB No. 34364)
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(804) 775-1000

Counsel for Debtors and Debtors in Possession

EXHIBIT 1

(Settlement Procedures Order w/out Exhibit(s))

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Counsel to the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - x

In re: : Chapter 11
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
Debtors. : Jointly Administered

ORDER UNDER 11 U.S.C. §§ 105 AND 363, AND FED. R. BANKR. P. 2002, 9006, AND 9019 AUTHORIZING THE ESTABLISHMENT OF PROCEDURES TO SETTLE CERTAIN PRE-PETITION AND POST-PETITION CLAIMS AND CAUSES OF ACTION WITHOUT FURTHER COURT APPROVAL

Upon the motion (the "Motion")¹ of the Debtors for entry of an order, pursuant to sections 105 and 363

¹ Each capitalized term not otherwise defined herein shall have the meaning ascribed to it in the Motion.



of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002, 9006 and 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for entry of an order authorizing the establishment of procedures to settle certain pre-petition and post-petition claims and causes of action without further court approval; and the Court having reviewed the Motion; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby:

FOUND, DETERMINED, AND CONCLUDED that:

1. Based on the affidavits of service filed, due, proper and adequate notice of the Motion has been given in accordance with the Case Management Order and that no other or further notice is necessary;
2. The Notice Procedures are fair, reasonable, and appropriate.
3. The Settlement Procedures are fair reasonable, and appropriate.
4. The Notice and Settlement Procedures were proposed in good faith.

5. Pursuant to Bankruptcy Rule 9006, cause exists to shorten the applicable notice period in Bankruptcy Rule 2002(a)(3) with respect to each Settlement.

6. Upon the expiration of the applicable Notice Period without an objection or upon resolution of any filed objection after the applicable Notice Period, each Settlement that complies with the Notice and Settlement Procedures shall be deemed (i) fair and reasonable and (ii) to have satisfied the standards under Bankruptcy Code sections 105 and 363 and Bankruptcy Rule 9019.

7. The relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest.

ORDERED, ADJUDGED, AND DECREED that:

8. The Motion is GRANTED.

9. The Debtors are authorized, but not directed, to compromise and settle Disputed Claims and Cause of Action and Receivable Claims in accordance with the Settlement Procedures.

10. The Debtors shall provide key parties in interest with notice of each proposed Settlement. The Notice Procedures are as follows:

(a) The Debtors shall give written notice, by email or facsimile, if available, or overnight courier if email or facsimile are not available, of each proposed Settlement (the "Settlement Notice") to (i) the United States Trustee, (ii) counsel for the Committee of Unsecured Creditors, (iii) any party to the Settlement, and (iv) the Core Group and 2002 List (collectively, the "Notice Parties").

(b) The Settlement Notice (or the Settlement Agreement) shall specify (i) the identity of the other party to the Settlement, (ii) a summary of the dispute with such other party, including a statement of the Debtors' reasonable estimate of the Settlement Claim amount and the basis for the controversy, (iii) an explanation of why the Settlement of such Settlement Claim is favorable to the Debtors, their estates, and their creditors, and (iv) a copy of the proposed settlement agreement ("Settlement Agreement").

(c) The Notice Parties may object to or request additional time to evaluate the proposed Settlement in writing by no later than 5:00 p.m. (ET) (i) five (5) days for both Tier I Disputed Claims and Tier I Cause of Action and Receivable Claims or (ii) ten (10) days for both Tier II Disputed Claims and Tier II Cause of Action and Receivable Claims (each an individual "Notice Period") and serve such objection or request on counsel to the Debtors and counsel for the Creditors' Committee on or before the

expiration of the applicable Notice. If the Debtors are compromising more than one Disputed Claim and/or Cause of Action and Receivable Claim, the Tier II Notice Period shall apply to such Settlement. If no objection or written request is filed and served upon counsel for the Debtors and counsel for the Creditors' Committee or counsel to the Debtors does not receive a written request for additional information and/or additional time prior to the expiration of the applicable Notice Period, the Debtors shall be authorized to enter into and consummate the Settlement Agreement without further order of the Court or any other action by the Debtors.

(d) If a Notice Party provides a written request to counsel for the Debtors for additional information or time to evaluate the proposed Settlement, only such Notice Party shall have the later of (i) an additional five (5) days to object to the proposed Settlement or (ii) in the case of a request for additional information, three days after receipt by the Notice Party of the additional information requested. Each Notice Party may only make one request for additional time per Settlement Agreement, unless otherwise agreed to by the Debtors in their sole discretion.

(e) If a Notice Party objects to the proposed Settlement within the defined Notice Period for that particular Tier of Disputed Claim or Cause of Action and Receivable Claim, (or the additional period in the case of a Notice Party that has timely requested additional time or information to evaluate the proposed Settlement) (the "Objection Deadline") and the Debtors and such objecting Notice Party are unable to reach a consensual resolution,

the Debtors will not take any further action to consummate the proposed settlement without first obtaining Court approval for that specific Settlement. The Debtors are authorized to schedule the Settlement for a hearing at the next scheduled omnibus hearing following the Objection Deadline (or any subsequent hearing) without filing a separate motion or other pleading.

(f) If the Objection Deadline has passed and no objection has been filed with the Court or request for additional time or information has been received by the Debtors, the Debtors are authorized, but not directed, to file a "Certificate of No Objection" with the Court; provided, further, that each such Certificate shall set forth a statement that no objection was filed or received (or if any objection was filed or received, such objection has been resolved) and no request for additional time or information was received or, if such request was received, the additional period of review has expired.

(g) An objection will be considered properly filed and served only if it is filed with the Court, and actually received by the following parties on or before the Objection Deadline: (i) Clerk of the Bankruptcy Court, United States Bankruptcy Court, 701 East Broad Street - Room 4000, Richmond, VA 23219, (ii) the attorneys for the Debtors, (a) Skadden, Arps, Slate, Meagher & Flom, LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Gregg M. Galardi (gregg.galardi@skadden.com) and Ian S. Fredericks (ian.fredericks@skadden.com) and (b) McGuireWoods LLP, One James Center, 901 E. Cary Street, Richmond, VA 23219, Attn: Douglas M. Foley (dfoley@mcquierewoods.com)

and Daniel F. Blanks
(dblanks@mcquirewoods.com), and (iii)(a)
Pachulski Stang Ziehl & Jones LLP, 10100
Santa Monica Blvd., 11th Floor, Los Angeles,
California 90067-4100, Attn: Jeff Pomerantz
(jpomerantz@pszjlaw.com) and (b) 780 Third
Avenue, 36th Floor, New York, NY 10017-2024,
Attn: Robert Feinstein
(rfeinstein@pszjlaw.com).

(h) All time periods set forth in the Notice Procedures shall be calculated in accordance with Bankruptcy Rule 9006.

11. Subject to the Notice Procedures, the Debtors are authorized to compromise and settle Disputed Claims as follows:

(a) Tier I With respect to Disputed Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with the Claimants that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Disputed Claims, grant any Claimant an allowed claim of an agreed upon priority or administrative expense claim, as applicable, in an amount not to exceed \$500,000.

(b) Tier II With respect to Disputed Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with the Claimants that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Disputed Claims, grant any Claimant an allowed claim (priority or non-priority, as the case may

be) or administrative expense claim, as applicable, in an amount greater than \$500,000.

12. Subject to the Notice Procedures, the Debtors are authorized to compromise and settle Cause of Action and Receivable Claims as follows:

(a) Tier I With respect to pre- and post-petition Cause of Action and Receivable Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with third parties that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Cause of Action and Receivable Claims, compromise or settle a Cause of Action and Receivable Claim resulting in a cash payment to the Debtors' estates of a value (i) equal to or greater than seventy-five percent (75%) of the Debtors' original reasonable estimate of the Cause of Action and Receivable Claim amount and (ii) equal to or less than \$1,000,000.

(b) Tier II With respect to pre- and post-petition Cause of Action and Receivable Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with third parties that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Cause of Action and Receivable Claims, compromise or settle a Cause of Action and Receivable Claim resulting in a cash payment to the Debtors' estates of a value equal to (i) more than \$1,000,000 or (ii) less than

seventy-five percent (75%) of the Debtors' original reasonable estimate of the Cause of Action and Receivable Claim amount.

13. To memorialize the Settlements, the Debtors are authorized in their sole discretion, but not directed, to enter into Settlement Agreements substantially in the form of Exhibit A attached hereto; provided, further, that the material terms of each Settlement Agreement may vary depending upon the specific facts and circumstances of each Settlement and nothing herein or therein shall be construed as impairing the Debtors' ability to tailor the form of the Settlement Agreement to each specific Settlement.

14. The Debtors are authorized, but not directed, to resolve all of the Disputed Claims and Cause of Action and Receivable Claims of a single party in a single Settlement Agreement.

15. The Debtors shall provide written notice to Kurtzman Carson Consultants LLC ("KCC"), the Debtors' authorized claims and noticing agent, with respect to any proof of claim settled pursuant to these Settlement Procedures; provided, further, that, if applicable, KCC

is authorized and directed to amend the claims register accordingly without further order of the Court.

16. Following entry of this Order, unless otherwise agreed to between the Debtors and the Creditors' Committee, the Debtors' advisors shall provide weekly updates concerning ongoing settlement discussions to the Creditors' Committee's advisors. These updates shall include, without limitation, non-privileged information mutually agreed to among the parties' advisors. Once the Debtors reach an agreement in principle with a third party, the Debtors shall share the material terms of the Settlement with the Creditors' Committee's advisors. All information shared with the Creditors' Committee's advisors shall be deemed shared subject to the existing confidentiality agreement with the Debtors.

17. Assuming no objection has been filed by the applicable Objection Deadline, immediately after the expiration of the Notice Period (or, in the case of a filed objection that has been resolved, upon filing of a Certificate of No Objection) the Settlement Agreement

shall be deemed to be a final order of this Court for all purposes, including for purposes of any appeal.

18. In the event there is an inconsistency between the Motion and this Order, this Order shall control.

19. The requirement under Local Rule 9013-1(G) of the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia to file a memorandum of law in connection with the Motion is hereby waived.

20. This Court retains jurisdiction to hear and determine all matters arising from or related to the Motion, this Order or any Settlement.

Dated: Richmond, Virginia
Aug 7 2009, 2009

/s/ Kevin R. Huennekens

UNITED STATES BANKRUPTCY JUDGE

WE ASK FOR THIS:

Entered on docket: August 10 2009

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/s/ Douglas M. Foley
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(804) 775-1000

Counsel to the Debtors
and Debtors in Possession

CERTIFICATION OF ENDORSEMENT UNDER LOCAL RULE 9022-1(C)

Pursuant to Local Bankruptcy Rule 9022-1(C), I hereby certify that the foregoing proposed order has been endorsed by or served upon all necessary parties.

/s/ Douglas M. Foley
Douglas M. Foley

EXHIBIT 2

(Settlement Agreement)

Gregg M. Galardi, Esq.
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Counsel to the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - X
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
:
Debtors. : Jointly Administered
- - - - - X

**SETTLEMENT AGREEMENT AND STIPULATION BY AND AMONG THE
DEBTORS AND SONY PICTURES HOME ENTERTAINMENT INC.**

This settlement agreement and stipulation
(this "Settlement Agreement") is entered into by and
among the above-captioned debtors and debtors in

possession (the "Debtors"),¹ on the one hand, and Sony Pictures Home Entertainment Inc. ("SPHE" and together with the Debtors, the "Parties" and each of which is a "Party"), on the other hand.

GENERAL BACKGROUND

WHEREAS, on November 10, 2008 (the "Petition Date"), the Debtors each filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of Virginia (the "Court") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"); and

WHEREAS, the Debtors have continued as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code; and

¹ The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc.(6796), Sky Venture Corp. (0311), PRAHS, INC.(n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address was 9950 Mayland Drive, Richmond, Virginia 23233 and currently is 4951 Lake Brook Drive, Glen Allen, VA 23060.

WHEREAS, by order dated November 12, 2008, this Court appointed Kurtzman Carson Consultants LLC ("KCC") as claims, noticing and balloting agent for the Debtors in these chapter 11 cases pursuant to 28 U.S.C. § 156(c); and

WHEREAS, on November 12, 2008, the Office of the United States Trustee for the Eastern District of Virginia appointed a statutory committee of unsecured creditors (the "Creditors' Committee"); and

WHEREAS, to date, no trustee or examiner has been appointed in these chapter 11 cases; and

WHEREAS, on January 16, 2009, the Court authorized the Debtors, among other things, to conduct going out of business sales at the Debtors' remaining 567 stores pursuant to an agency agreement (the "Agency Agreement") between the Debtors and a joint venture, as agent (the "Agent"). On January 17, 2009, the Agent commenced going out of business sales pursuant to the Agency Agreement at the Debtors remaining stores. As of on or about March 8, 2009, the going out of business sales concluded; and

WHEREAS, on September 29, 2009, the Debtors and the Creditors Committee filed the First Amended Joint Plan of Liquidation of Circuit City Stores, Inc. and its Affiliated Debtors and Debtors In Possession and its Official Committee of Creditors Holding General Unsecured Claims (the "Plan"); and

WHEREAS, the associated disclosure statement (the "Disclosure Statement") was approved on September 24, 2009, and confirmation on the Plan is currently scheduled for March 8, 2010; and

WHEREAS, generally, the Plan provides for the liquidation of the Debtors under chapter 11 of the Bankruptcy Code; and

WHEREAS, prior to and since the commencement of these cases, the Debtors maintained, in the ordinary course of business, books and records (the "Books and Records") that reflected, among other things, the Debtors' assets and liabilities; and

WHEREAS, currently, the Debtors are engaged in a thorough review of all claims filed against their estates to determine the validity of such claims. As part of this process, the Debtors are diligently

reviewing administrative expense claim requests and pre-petition claims under Bankruptcy Code section 503(b)(9) asserted against their estates. Additionally, the Debtors are engaged in a review of pre- and post-petition claims the Debtors hold against creditors asserting claims against the Debtors' bankruptcy estates; and

WHEREAS, the Debtors are authorized under the Court's Order Under 11 U.S.C. §§ 105 and 363, and Fed. R. Bankr. P. 2002, 9006, and 9019 Authorizing the Establishment of Procedures to Settle Certain Pre-Petition and Post-Petition Claims and Causes of Action Without Further Court Approval, dated August 7, 2009 (Docket No. 4401, the "Settlement Procedures Order") to enter into this Settlement Agreement, subject to the Notice Procedures.

SETTLEMENT BACKGROUND

A. The 503(b)(9) Bar Date.

WHEREAS, on November 12, 2008, this Court entered the Order Establishing Bar Date for Filing Requests for Payment of Administrative Expense Claims Under Bankruptcy Code Sections 105 and 503(b)(9) and

Approving Form, Manner and Sufficiency of Notice of the Bar Date Pursuant to Bankruptcy Rule 9007 (Docket No. 107) (the "503(b)(9) Bar Date Order"); and

WHEREAS, pursuant to the 503(b)(9) Bar Date Order, the bar date for filing proofs of claim asserting administrative priority claims pursuant to Bankruptcy Code section 503(b)(9) was 5:00 p.m. (PT) on December 19, 2008 (the "503(b)(9) Bar Date"); and

WHEREAS, the Affidavit of Service of the Bar Date Notice states that SPHE was served with the Bar Date Notice and attached 503(b)(9) Claim Request Form via overnight mail on November 19, 2008. See Affidavit of Service filed November 25, 2008, attaching Notice of Bar Date for Filing a Request for Allowance of an Administrative Expense Claim Under 11 U.S.C. § 503(b)(9), at 1422; and

B. The SPHE Claims.

WHEREAS, prior to and since the commencement of the Debtors' chapter 11 bankruptcy cases, SPHE sold DVDs and Blu-Ray discs (collectively, the "Goods") to the Debtors for resale in the Debtors' retail stores; and

WHEREAS, SPHE is an indirect subsidiary of Sony Pictures Entertainment Inc. ("SPE"); and

WHEREAS, the Debtors also maintained pre- and post-petition business relationships with certain entities which are not subsidiaries of SPE, but which have the word "Sony" in their names, including (but not limited to) Sony Computer Entertainment America Inc., Sony Corporation, Sony BMG Music Entertainment Inc., Sony Computer Entertainment, Sony Electronics Inc., and Sony Music Entertainment Inc. (collectively, the "Other Sony Entities");² and

WHEREAS, on November 24, 2008, SPHE filed a Reclamation Demand (the "Reclamation Demand") for goods received by the Debtors within 45 days of the Petition Date for a total amount of \$2,868,744.71. Therein, SPHE stated that it "intends to assert a 'Section 503(b)(9)

² For the avoidance of doubt, (i) the definition of Other Sony Entities does not include SPE, SPHE, Columbia TriStar Motion Picture Group, Columbia Pictures, Sony Pictures Classics, Screen Gems, TriStar Pictures, Sony Pictures Television Group, Sony Pictures Television, Sony Pictures Television International, Sony Pictures Consumer Products, Sony Pictures Digital Production, Sony Pictures Imageworks, Sony Pictures Animation, Sony Pictures Imageworks Interactive, Sony Pictures Mobile, Sony Pictures Studios, Sony Pictures Studios Post Production Facilities, and Crackle (collectively, the "SPE Entities"), and (ii) the definition of SPE Entities does not include the Other Sony Entities.

Claim' pursuant to Section 503(b)(9) of the United States Bankruptcy Code, 11 U.S.C. § 503(b)(9), for a portion of the Goods subject of this demand, in the approximate amount of not less than \$1,511,450.52." See Reclamation Demand, at 1; and

WHEREAS, on January 30, 2009, SPHE filed a 503(b)(9) Claim, which was numbered claim number 9389. Claim 9389 was subsequently amended by claim 11418, which was filed in the amount of \$1,511,450.52, and then again by claim 14359.³ As alleged, the final amount of SPHE's 503(b)(9) claim was \$1,376,672.01 (the "503(b)(9) Claim"); and

WHEREAS, on January 30, 2009, SPHE filed claim number 9385 in the amount of not less than \$6,887,001.62, a general unsecured proof of claim against the Debtors' bankruptcy estates (the "Unsecured Claim").⁴ The

³ On February 5, 2009, SPHE also filed a 503(b)(9) claim numbered 11445 in an unliquidated amount. Claim 11445 was disallowed as duplicative of claim 9389 by virtue of this Court's Order on Debtors' Forty-Fourth Omnibus Objection to Claims (Duplicate Claims) entered on November 19, 2009.

⁴ On February 5, 2009, SPHE also filed a claim numbered 11392 in an unliquidated amount. Claim 11392 was disallowed as duplicative of claim 9385 by virtue of this Court's Order on Debtors' Forty-

(cont'd)

Unsecured Claim included, in part, amounts set forth in the Reclamation Demand as well as the 503(b)(9) Claim; and

WHEREAS, on February 24, 2009, SPHE filed its Motion of Sony Pictures Home Entertainment Inc. for Entry of Order Allowing Administrative Expenses Pursuant to 11 U.S.C. §§ 503(b)(1)(A), 503(b)(9) and 507(a)(2) on February 24, 2009 (the "Motion") (D.I. 2294). Therein, SPHE sought allowance and immediate payment of a post-petition administrative expense request in the amount of \$70,105.72, and allowance of its 503(b)(9) Claim. The Motion was docketed as claim number 13114; and

WHEREAS, on June 29, 2009, SPHE filed the Amendment to Motion of Sony Pictures Home Entertainment Inc. for Entry of Order Allowing Administrative Expenses Pursuant to 11 U.S.C. §§ 503(b)(1)(A), 503(b)(9) and 507(a)(2) (the "Amendment to Motion" and together with the Motion, the "Motions") (D.I. 3853). The Amendment to Motion was assigned claim number 14359 by KCC; and

(cont'd from previous page)

Fourth Omnibus Objection to Claims (Duplicate Claims) entered on November 19, 2009.

WHEREAS, by the Amendment to Motion, SPHE merely sought to amend the amounts of its previously asserted pre-petition 503(b)(9) Claim and post-petition 503(b) administrative expense request. Specifically, SPHE asserted that the value of its pre-petition section 503(b)(9) Claim was \$1,376,672.01. Moreover, SPHE asserted that the value of its post-petition administrative expense request was \$325,776.63 on account of goods allegedly delivered to the Debtors after the Petition Date (the "Administrative Expense Claim") (and, collectively with the 503(b)(9) Claim, the Unsecured Claim, and any other filed claims or motions, the "SPHE' Claims"); and

WHEREAS, the Debtors disputed various aspects of the SPHE Claims, including the amount and priority of certain Claims. In addition, the Debtors contended that all versions of the 503(b)(9) Claim were filed after the 503(b)(9) Bar Date; and

WHEREAS, SPHE disagrees with the Debtors' disputes regarding the SPHE Claims, as well as the Debtors' contention that its 503(b)(9) Claim was late,

arguing, among other things, that the Reclamation Demand was an informal proof of claim; and

C. The Debtors' Claims.

WHEREAS, as part of the ordinary course of Circuit City Stores, Inc.'s ("Circuit City") business with SPHE, Circuit City generated receivables, chargebacks, returns, and other amounts, which the Debtors allege are currently due and owing to Circuit City by SPHE. More particularly, the Debtors state Circuit City's Books and Records reflect pre- and post-petition amounts totaling \$4,462,681.06 due and owing from SPHE (the "Alleged Receivables"); and

WHEREAS, SPHE contests the amount of the Debtors' Alleged Receivables; and

WHEREAS, rather than proceed with litigation concerning the SPHE Claims and the Debtors' Alleged Receivables, the parties engaged in good faith, arms' length negotiations to resolve the SPHE Claims, the Reclamation Demand, the Motions, and the Debtors' Alleged Receivables in their entirety; and

NOW THEREFORE, subject to and in accordance with the Settlement Procedures Order, for good and

valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties hereby STIPULATE AND AGREE AND IT IS HEREBY ORDERED that:

1. Upon the Effective Date (as defined below), the Parties agree that the Alleged Receivables and the Claims shall be resolved as follows: (a) within 7 days after this Settlement Agreement becomes final in accordance with the terms of the Settlement Procedures Order, SPHE shall wire or cause to be wired \$1,250,000 (the "Payment") to the Debtors pursuant to wire instructions provided by the Debtors to SPHE; and (b) the Alleged Receivables shall be net against the Administrative Expense Claim, the 503(b)(9) Claim, and the Unsecured Claim such that (i) the Administrative Expense Claim shall be reduced to \$0, (ii) the 503(b)(9) Claim shall reduced to \$0, (iii) and the Unsecured Claim (Claim No. 9385) shall be reduced to and allowed in the amount of \$4,000,000 (the "Allowed Unsecured Claim").⁵

⁵ For the avoidance of all doubt, claims numbered 9389, 11418, 13114, and 14359 shall all be reduced to \$0.00.

2. To the extent required, the automatic stay of 11 U.S.C. § 362 is lifted to permit the netting set forth in Paragraph 1 above.

3. The Parties further agree that the Allowed Unsecured Claim shall be deemed an "allowed" claim in case number 08-35653 (KRH) for all purposes, including with respect to any confirmed chapter 11 plan, and shall not be subject to further setoff, reduction, netting, defense or discount.

4. The Parties agree that this Settlement Agreement finally resolves the SPHE Claims, the Reclamation Demand, the Motions, and the Debtors' Alleged Receivables in their entirety.

5. Effective upon receipt of the Payment by the Debtors, the Debtors, on behalf of themselves, and each on behalf of their respective estates, successors, and assigns, hereby irrevocably and fully release and discharge the SPE Entities, from and against any and all claims or causes of action under Bankruptcy Code sections 542, 543, 544, 546, 547, 548, 549, 550, 553 and 558. The Releases are not intended as general releases

or waivers and nothing in this Settlement Agreement shall be construed as such.

6. For the avoidance of doubt and notwithstanding anything to the contrary in this Settlement Agreement, (i) the Allowed Unsecured Claim shall constitute SPHE's full and final allowed claim in the Debtors' cases and SPHE and the SPE Entities shall not file or be entitled to recover on account of any other claims, including (without limitation) on any other SPHE Claims, from the Debtors or their estates, (ii) other than the Payment, the Debtors shall not be entitled to recover any further credits, rebates, receivables, setoffs, netting, or discounts, including (without limitation) the Alleged Receivables, from SPHE, (iii) all omnibus objections to any of the SPHE Claims shall be deemed resolved, (iv) the legal and equitable rights, claims, causes of action, remedies, defenses, and arguments between or among the Debtors and the Other Sony Entities are not meant to be subject to, part of, or in any way affected by this Settlement Agreement, and (v) SPHE and the Debtors specifically acknowledge and agree that this Settlement Agreement is not intended to,

and does not, release or otherwise affect in any way any actual claims or causes of action (or potential claims or causes of action similar in nature or type to such actual claims or causes of action) now or hereinafter asserted in or relating to the multi-district litigation captioned In re: TFT-LCD (Flat Panel) Antitrust Litigation, MDL No. 1827 (N.D. Cal.) and the actions consolidated therein (the "MDL Proceeding").

7. Neither this Settlement Agreement, nor any statement made or action taken in connection with the negotiation of this Settlement Agreement, shall be offered or received in evidence or in any way referred to in any legal action or administrative proceeding among or between the parties hereto, other than as may be necessary (a) to obtain approval of and to enforce this Settlement Agreement or (b) to seek damages or injunctive relief in connection with such approval and enforcement.

8. Each Party hereto shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary or appropriate in

conjunction with the performance of their respective obligations hereunder.

9. No provision of this Settlement Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any person other than the parties hereto and their respective successors, assigns, except as set forth in paragraph 5, above.

10. Except where preempted by applicable Federal law, this Settlement Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Virginia without regard to any choice of law provisions.

11. This Settlement Agreement may be signed in counterpart originals and delivered by facsimile or email, which, when fully executed, shall constitute a single original.

12. This Settlement Agreement constitutes the entire agreement and understanding of the parties regarding the Agreement and the subject matter thereof.

13. The United States Bankruptcy Court for the Eastern District of Virginia shall retain exclusive

jurisdiction (and the parties consent to such retention of jurisdiction) with respect to any disputes arising from or related to, or other actions to interpret, administer or enforce the terms and provisions of, this Settlement Agreement.

14. Each person or entity who executes this Settlement Agreement on behalf of another person or entity represents and warrants that he, she, or it is duly authorized to execute this Settlement Agreement on behalf of such person or entity, has the requisite authority to bind such person or entity, and such person or entity has full knowledge of and has consented to this Settlement Agreement. The representations and warranties set forth in this paragraph shall survive execution of this Settlement Agreement.

15. This Settlement Agreement shall not be modified, altered, amended or vacated without the written consent of all parties hereto.

16. This Settlement Agreement and all of its terms shall be effective upon the later of (i) execution by both Parties and (ii) the expiration of the applicable Notice Period (the "Effective Date").

17. This Settlement Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties hereto, including, without limitation, any Chapter 7 trustee, Chapter 11 trustee or the Liquidating Trustee under the Plan.

IN WITNESS WHEREOF, this Settlement Agreement
is hereby executed as of March 30, 2010.

ACCEPTED AND AGREED TO BY:

CIRCUIT CITY STORES, INC., et al., Debtors and Debtors
in Possession

By:

/s/ Katie Bradshaw
Katie Bradshaw
Vice President & Controller
Circuit City Stores, Inc.
4951 Lake Brook Drive
Glen Allen, VA 23060

SPHE HOME ENTERTAINMENT INC.

By:

/s/ William Stellman

William Stellman, Senior Vice President and

Chief Financial Officer SPHE Home Entertainment Inc.